THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) The High Court at Calcutta had directed the Central Government to take immediate steps to declare Calcutta as 'A-1' city if it fulfils all the necessary conditions. The Govenment have issued orders on May 18, 1998, classifying Calcutta as 'A-1' city for the purpose of grant of HRA to the Central Government employees.

Effect of War-Cries on Investment in the Sub-Continent

*394. SHRI SANATAN BISI: Will the Minister of FINANCE be pleased to state:

(a) whether war-cries on both sides of the border have made the sub-continent risky for all investments, domestic and foreign; and

(b) if so, to what extent it will affect investments, sector-wise and state-wise?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) A certain degree of uncertainty has been created by sanctions and suspensions of external assistance. It is, however, too early to indicate any effect of this on investment, partly because precise nature of the sanctions/suspensions is unclear. The policy of the government is to ensure that management of the economy creates a sense of confidence in domestic and foreign investors and in international financial markets. This would ensure that the impact of uncertainty would be minimised.

Amount Written off as Bad Debts by the Nationalised Banks

*395. SHRI PARMESHWAR KUMAR AGARWALLA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that nationalised banks have been allowed to write-off outstanding bad debts;

(b) if so, the criteria and bank-wise amounts written-off during each of the last three years;

(c) the top five companies/individuals in case of each nationalised bank in whose cases debts have been written off during each of the last three years, alongwith their original outstanding amount, amount written off and the present outstanding amount, year-wise; and

(d) the system of fixing responsibility and associated accountability for such outstanding amounts in different banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) and (b) The introduction of Financial Sector Reforms and revised guidelines have necessitated banks to desist from the practice of taking unrealised income in their books and also to provide against possible loan losses. Due to their increased sensitivity to credit risk, banks are laying emphasis on reduction of NPAs. The banks have broadly two alternatives for recovery of bad loans:

1. File suit which may take years to settle and even if banks get decree in their favour, recovery of the dues may be time assuming. The recovery of dues after effux of much time may not be commensurate with legal and other expenditure incurred on recoveries;
2. Negotiate with the borrowers to realise maximum possible amount even if they have to sacrifice certain dues such as interests debited to account after it has become NPA etc. by entering into a compromise and write-off the amount sacrificed. Except in very rate cases, banks do not permit write-off of the principal loan amount.

Banks have been writing off bad debts generally where the prospects for recovery are remote, no tangible/realisable securities are available to cover the debts, legal action takes unduly long period, the

loans are outstanding for a considerably long period, and when there is need for bringing down the Non Performing Assets(NPAs) for gainful recycling of the recovered amount.

Reserve Bank of India has advised the banks to follow the following criteria while approving write-off and compromise proposals:

(i) The authority approving the write-off proposal should not have sanctioned the advance in question in his individual capacity.

(ii) The loan sanctioning authority had exercised his powers judiciously and adhered to the guidelines issued by the bank in the matter of grant of advances and that normal terms and conditions were stipulated.

(iii) There was no lixity in the conduct and post-disbursement supervision of the advances.

(iv) There was no act of commission or omission on the part of the staff leading to the debt proving irrecoverable.

(v) The staff accountability aspect should be examined by the banks expeditiously.

Banks have also been advised that in their attempts to reduce NPAs through negotiate settlement they should ensure to recover the dues to the maximum extent possible at minimum expenses.

The amount of bad debts written off by the Nationalised Banks during the last three years is given in the enclosed statement (*see* below)

(c) Under the existing secrecy laws, the information regarding individual borrowal accounts/constituents of the banks cannot be disclosed. Moreover, RBI's data monitoring system does not generate information in the manner asked for.

(d) Banks are required to look into staff accountability aspects of such cases and Board of Directors of the bank also review top 100 accounts of each category of NPAs viz. substandard, doubtful and loss category (Total 300 accounts). While reviewing these accounts the Board of Directors also looks into the system prevailing in the bank to fix staff accountability.

Statements

Bad debts written off by the Nationalised banks during the last three years

(Amount in crores)

	Nationalised Banks			
1.	Allahabad Bank	55.73	6.71	21.39
2.	Andhra Bank	38.78	1.95	37.42
3.	Bank of Baroda	270.27	46.42	70.17
4.	Bank of India	260.38	307.08	217.15
5.	Bank of Maharashtra	81.12	56.52	47.30
6.	Canara Bank	200.00	169.49	18.20
7.	Central Bank of India	144.12	138.44	156.83
8.	Corporation Bank	18.64	19.13	0.94
9.	Dena Bank	27.34	51.92	58.76
10.	Indian Bank	42.51	115.94	10.28
11.	Indian Overseas Bank	5.94	75.01	375.73

	Nationalised Banks			
12.	Oriental Bank of Commerce	2.13	0.82	46.22
13.	Punjab National Bank	220.77	53.14	150.34
14.	Punjab & Sind Bank	1.70	2.86	9.93
15.	Syndicate Bank	24.84	8.03	58.79
16.	Union Bank of India	27.86	38.81	30.57
17.	UCO Bank	165.07	110.98	220.57
18.	United Bank of India	119.00	36.51	65.48
19.	Vijaya Bank	4.19	13.26	12.72
	Total	2267.65	1742.21	2162.00

Steps Taken to Counter U.S. Sanctions

*396. SHRI PARAG CHALHA:
SHRI RAHASBIHARI BARIK:

Will the Minister of FINANCE be pleased to state:

(a) the details of steps taken/contemplated to brave the impact of U.S. sanctions against India;

(b) the details of the projects/schemes likely to be affected;

(c) whether any action plan has been prepared by Government to tackle the situation;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (d) The U.S. government imposed economic sanctions which directly affect India through assistance provided by USAID, USEXIM Bank and OPIC. The overall impact on the economy and on going projects is expected to be quite limited. Regarding USAID, only non-humanitarian aid worth US $ 12 million will be discontinued. New activities under the following two ongoing projects will be affected:

1. Energy Management Consultation and Training (EMCAT).

2. Greenhouse Gas Pollution Prevention Project (GEEP).

As a result of suspension of new activities under above mentioned two projects, USAID has deferred obligation of Development Assistance of US $ 6 million in US FY 1998.

3. The activities under Operation Research Component of Innovation in Family Planning Services project has been suspended by USAID resulting in deferment of obligation of Development Assistance of US $ 2 million is US FY 1998.

4. As a result of sanctions announced by US Government, grant assistance under following three ongoing USAID assisted projects in the Economic Growth Sector has been terminated:

(a) Financial Institutions Reforms & Expansion (FIRE) Project;
(b) Technical Assistance and Support Project (TASP);
(c) Agriculture Commercialization & Enterprise (ACE) Project.

Sanctions will also include termination of all new US EXIM Bank credits and credit guarantees for US exports to India as from May 13, 1998 as well as discontinuance US Overseas Private Investment Corporation (OPIC) guarantees for US Foreign Direct Investment ventures in